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SECURITY INFORMATION

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NEAR EAST - AFRICA

1. Egyptian attitudes on defense augur more trouble for MEDO:

[REDACTED] 3.3(h)(2)

The question of arms from the United States, as well as British evacuation of the Suez Canal zone, must be settled before Egypt will consider the problem of Middle East defense, according to Egyptian Foreign Minister Fawzi.

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Comment: Egyptian insistence on military equipment from the United States prior to discussion of Middle East defense might block present plans for MEDO.

Egypt's interest in a regional defense system predominantly under local control can also be expected to cause continued difficulty for the MEDO concept.

EASTERN EUROPE

2. Yugoslav officials consider action against Albania untimely:

[REDACTED] 3.3(h)(2)

Josef Djerdja, one of the top Yugoslav Foreign Office officials, has emphasized to the American Embassy in Belgrade that there have been no Yugoslav military movements near the Albanian border. He stated that Yugoslavia strongly opposed any action which would lend support to Cominform charges of aggressive intentions toward Albania.

According to Djerdja, there is no reason to believe that Hoxha's control over the country has weakened since Stalin's death. He told the American Charge that while the collapse of the regime was inevitable because of deteriorating economic conditions and increasing popular discontent, the time for this event "was not in sight."

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Comment: There is no reliable evidence that Yugoslavia is planning any overt actions against Albania.

3.3(h)(2)

WESTERN EUROPE

3. Britain to ask European cooperation in liberalizing global trade:

Foreign Secretary Eden and Chancellor of the Exchequer Butler, in addressing the Organization for European Economic Cooperation on 23 March, plan to ask the European countries to consider their own problems within the context of a "one world" economic system aimed at freeing both trade and currencies as widely as possible.

3.3(h)(2)

Butler will propose an immediate study of the implications of the convertibility of other currencies as well as sterling with a view to the subsequent relaxation of Britain's restrictions on trade with the Continent. He also will recommend consideration of revamping both the European Payments Union and the OEEC to permit a wider multilateral payments system.

Comment: These statements are aimed at reassuring the European countries about British trade plans, but Italy and France in particular are more interested in immediate relief from the burden of Britain's import restrictions.

In conversations with the Commonwealth, European countries and the United States, Britain is evidently seeking the widest possible exchange of views before committing itself on its own "new" trade policies.

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4. High-level French reports on Indochina expected to be critical:

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Reports on Indochina by Marshal Juin and two French National Assembly deputies who have recently returned from that area are expected to be pessimistic and critical of

3.3(h)(2)

the French administration there.

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Comment:

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Junin believes that the Indochina military situation has definitely but not decisively improved over two years ago. The report by one of the deputies, Paul Devinat, is expected to be critical not only of the lack of dynamism of French policy but also of High Commissioner Letourneau. According to the press, the other deputy involved, Paul Reynaud, has been highly critical of the Vietnamese attitude toward the war.

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